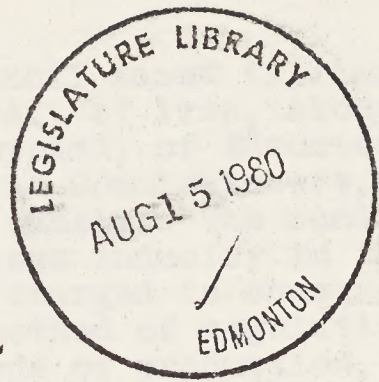


AL. 2. 1986-397 C2



DEPARTMENTAL REPORT

of

SPECIAL COMMITTEE APPOINTED TO
ENQUIRE INTO FLUID MILK AND CREAM
TRADE OF THE PROVINCE OF ALBERTA.

- 1937 -

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Hon. David B. Mullen,
Minister of Agriculture,
Legislative Buildings,
Edmonton, Alberta.

On the 29th of June, 1937, the Executive Council named William R. King, M.L.A., of Calgary, Alberta, William Masson, M.L.A., of Irma, Alberta, David Lush, M.L.A., of Empress, Alberta, Rice Sheppard, of Edmonton, Alberta, and Walter White, of Edmonton, Alberta, as Commissioners, to enquire into and concerning the following matters, namely: The conditions and practices prevailing in the fluid milk and cream industry in the Province, including the prices paid to producers and charged to consumers for milk, cream and dairy products, and the present method of regulating such prices and the said industry, including the methods of production, grading, distribution and marketing of products employed by the said industry, and such matters as may be declared by the said Commission to be matters of public concern.

The Executive Council further advised, upon the recommendation of the Honourable the Minister of Agriculture, that by the Commission there be conferred upon the said Commissioners the power of summoning witnesses before them and requiring such witnesses to give evidence on oath, orally, or in writing, or on solemn affirmation (if they are persons entitled to affirm in civil matters) and to produce such documents and things as the Commissioners may deem requisite to the full investigation of the matters into which they are appointed to enquire.

The enquiry arose out of certain objections being made in connection with the activities of the Board of Public Utility Commissioners, and it was, therefore, decided to refer the whole question of its control of fluid milk and cream to the Agricultural Committee of the Legislative Assembly. This Committee had previously met on April 12th and 13th, 1937, and several pages of typewritten evidence were given, including that submitted by representatives of the milk industry and others in the districts of Calgary and Edmonton.

It was, therefore, decided to appoint a Commission of five persons, as above stated, full authority being given under the provisions of the "Public Enquiries Act", Chapter 26 of the Revised Statutes of Alberta, 1922, and Order in Council 684/1937.

When the Commission first met, Rice Sheppard was appointed Chairman, and David Lush, M.L.A., was appointed Secretary. Some differences of opinion were expressed as to whether evidence should be given in public or private hearings and it was finally decided to hear the evidence in camera. It was with this understanding that most of the evidence was given, and many important witnesses came forward who would not have voluntarily appeared in an open court. After a few sittings, it was found that this method was almost fully approved of by those giving evidence before the Commission.

The object of the Milk Enquiry Commission, in submitting this report, has been, to cover the entire milk situation, as applied to Edmonton and Calgary, without prejudice, and to report conditions exactly as we found them, with the view of making suggestions that will improve any or all branches of the trade from the point of production to the consumer, including the method of administration.

The Commission heard some fifty-four witnesses in Edmonton, and forty-five in Calgary, with a good proportion of representatives from the producers, producer-distributors, distributors and consumers appearing. It was hoped that time and money would permit a hearing to be held in Lethbridge, but, due to the limited amount appropriated, it was decided this would be impossible. So, after hearing the evidence given in Edmonton and Calgary, the Commission begs to submit the following report:

PROVINCIAL CONTROL BY THE UTILITIES BOARD.

The Public Utility Act was passed in 1923, with an Act to amend in 1933, giving the Board wide powers, as the following shows:

"The Board shall have jurisdiction upon its own initiative or upon complaint in writing to enquire into any matter relating to the production, supply, distribution or sale of milk." This gives the Board practically unlimited power to investigate the fluid milk business from start to finish. The regulations governing this are as follows: "If, by such enquiry there is found that the milk supply in any part of the Province is likely to be interrupted or interrupted or impaired in quality to an extent affecting the Provincial health or convenience, or that the distribution sale, or disposal is subject to discriminatory, unfair or unwarranted competition the Board shall have power to make regulations and orders deemed necessary in the public interest, without derogating from the generality of the foregoing."

The powers of this Board are further described in six sub-sections, and, from these, it will show that great authority is vested in them.

Section "A": "To prescribe the area or areas whether bounded municipally or otherwise in which any such regulations or orders shall be affected". This would appear to be the authority for setting the limits of milk sheds.

Section "B": "To supervise the production, furnishings, delivery, keeping for sale, and the sale of milk within the area or areas prescribed, as aforesaid, including the licensing, as deemed expedient, of any of the respective classes of persons referred to therein, and the fixing and collecting of a reasonable fee therefore with the power to refuse to license, where, in its opinion, the public convenience or health so requires.

In the above sub-section the Board may use its own discretion as to whom may or may not produce and deliver milk. The question of monopoly occurred, but upon examination by the Commission, it was found that, in most cases, refusal of a license had been presumably made in the interests of the public at large.

Section "C": "To require all persons who produce, distribute, keep for sale, or sell milk in any such area, to be authorized by the Board to do so and to fix the terms and conditions upon which such authorization shall be obtained."

Section "D": "To prescribe the terms and conditions upon which milk may be produced, received, handled, stored, delivered, kept for sale or sold in any such area."

Section "E": "To classify milk producers and distributors or other persons keeping milk for sale or selling milk."

Section "F": "Notwithstanding anything herein contained to approve or establish from time to time schedules of minimum rates at which milk shall be supplied by the respective classes having regard primarily to the interest of the public and to the continuity and quality of supply and in so proceeding the Board shall not be bound by any ruling of law or public utility practice to see that any rate of return is provided on any plant equipment or investment in excess of the actual value thereof of the time being."

In the above sub-section the Board has been given wide powers so that they may use their own discretion along any of these lines, in order to guarantee the public a sufficient supply of wholesome milk at all times.

Under the same amendment of 1933, powers have been extended to the Board along the same lines in regard to food products which includes any product made from fluid milk, such as cheese, etc.

The problem of supply and distribution of such a perishable commodity as sweet milk requires careful handling. Much has been done to smooth out the difficulties which were so prevalent in the trade. The quota system, which appears to be the best system in operation today, was put in force. On the whole, this has proven to be satisfactory to those who were shipping large averages at the time of its inception, but worked a hardship upon those shippers who were temporarily shipping a small amount. The shippers of a small average must, therefore, purchase added quotas if they wish to increase their shipments, and the quotas have become so commer-

cialized that they are now at a value of from \$2.50 to \$4.00 per pound, which price is almost prohibitive to the average small dairyman.

Owing to the surplus milk shipped in, the Board has, for some time, refused to grant any additional licenses and, as a consequence, the number of shippers have decreased. When a quota holder loses part, or all, of his quota for any reason, the same is distributed amongst the other quota holders shipping to the same plant, provided they can afford to, and desire to purchase the same.

In the opinion of this Commission the fluid milk business is slowly, but surely, developing into a monopoly over the whole of the North American continent, and we hesitate to make any recommendations which might, in any way, tend to hasten or strengthen such a monopoly, even though it be under Government control. It has been the welfare of our people and the health of our children that we have always had as our goal.

Board powers being adequate, the Commission feels that more action might have been taken as to methods of control.

On August 12th, 1937, this Commission felt that the price to consumers might well have been lowered during the fall of 1937, due to grass conditions, and made the request to the Board of Public Utilities, and also to the Executive Council, for the same to be put in operation.

Shortly afterwards, upon the advice of the Board that no change could be made without a public hearing, this Commission requested the Executive Council on Aug. 20th, to take no action in the matter.

We are now convinced that such a public hearing was absolutely unnecessary, and that we were misinformed by the Board officials.

We are also convinced that the inspection of records in the distribution plants must be very haphazard, and, in our opinion, is further substantiated by the action of certain employees in the Dairy Pool (Co-operative Plant in Calgary).

Certain pay-off sheets were presented to the Commission which were not recognized by the Board officials as being used by the plants. How did the Board examine records and not see duplication sheets of the above?

Certain of the large quota holders do not have to supply as large a percentage of surplus as do some other shippers to the plant. The greater the percentage of the total production of a dairy farm which is sold as city sweet, the greater the chances are that that farm will be a success, and vice versa.

This reduction of surplus on some, however, is passed on in part to smaller quota holders with the knowledge and consent of the Board. This, the Commission believes, is a direct increase of price to some or a decrease of price to the others concerned. We fail to see why the Board should have ever considered such an arrangement, regardless of the conditions or regulations of any plant or producers' organization. Only by strict enforcement of the Act, and its amendments, as set out by the Board's regulations, in all cases, can proper control of the milk trade be handled successfully.

This Commission is not in accord with the manner of enforcement of the Board's regulations, these being drafted by the Board, the evidence of infractions of the same gathered by Board officials, and the case tried before the Chairman of the Board. In no other Court do we find such conditions existing and as such is not (in our opinion) in line with British justice, we strongly object to the practice and recommend along these lines.

In Calgary, certain claims were made to the Commission that the Utilities Board Inspector of that City had used "stool-pigeon" methods to gather evidence of infractions of the regulations. This being a serious charge, this Commission endeavoured to get affidavits, but those who had made these charges failed to support their charge by affidavits.

COST OF PRODUCTION OF MILK

For several years the various Provinces across the Dominion have been carrying on extensive studies, to try, if possible, and find the approximate cost of producing different food stuffs, but, in most cases, the results from the different Provinces, and even different districts, have varied considerably; the statistician, the majority of the time, found it hard to arrive at any logical conclusion.

In 1931 a data on 12 dairy farms in the Calgary district and the records of some 349 cows was kept over a period of months, and it was found that the cost of production varied from \$1.23 per hundred pounds to \$4.57.

Again, covering a period between May 1st, 1932 and May 1st, 1933, a cost accounting was kept (by Charles A. Lyndon, now milk supervisor for the Province of Alberta) on seven dairy farms in the Edmonton district and a like number in the Calgary district. The following tables, supplied by the Board of Public Utilities, will show that the cost varied greatly in both districts:

CALGARY AREA - May 1st, 1932 to May 1st, 1933.

Farm No.	Average No. Cows milked	Av. Prod'n Per cow	Total or Gross Cost Cwt. of milk	Cash ret'n per Cwt. produced	Cash ret'n Cwt. sold	Total or Gross ret. per Cwt. produced.
2	32.2	8538.4#	\$1.14	\$.91	\$.94	\$1.05
5	17	7879.4	1.36	1.57	1.66	1.68
6	22	8924.1	1.80	1.11	1.32	1.33
8	25.3	9464.2	1.23	1.04	1.06	1.13
9	14.6	8350.7	1.63	1.16	1.24	1.41
10	26.3	7600.8	1.35	1.06	1.10	1.12
11	22.6	6776	1.51	1.18	1.26	1.33

Average Gross or Total Cost (weighed) per Cwt. of milk produced on 7 farms above. (This does not include any charge for hauling milk, a charge which approximates 15¢ per Cwt.) 1.40

Average Cash Return (weighed) for 7 farms above;
Per Cwt. milk produced 1.10
Per Cwt. milk sold 1.18

Average Gross or Total Return (weighed) for 7 farms above:
Per Cwt. milk produced 1.25
Average size of herd (cows) on above farms 29
Average number of cows milked on aforementioned farms 23
Average production per cow per year (approximately) 8233.4#
(milk)

The above figures are subject to final re-check - Sept. 19, 1933.

CALGARY - May 1st, 1932 to May 1st, 1933.

Explanation of Cost Items.

GROSS OR TOTAL COST: The total of all items entering into the cost of producing milk on the farms (not including hauling).

CASH RETURN: The amount paid by the purchaser for the milk at the point.

GROSS OR TOTAL RETURN: Is the cash return, plus the value of milk and cream used in the home, the value of milk used for stock, and any increase in value of young stock.

COST ITEMS: Included in the computations are: feed; labour actually employed with the herd; interest, repairs, depreciation on buildings and equipment used for the dairy enterprise; interest on investment in the herd; depreciation on cow herd and sire and miscellaneous costs such as, veterinary service, medicines, testing, city license, producers' fees and insurance on buildings, etc.

Depreciation on buildings at 3%

Depreciation on Cows at 10%

Depreciation on machinery from 5% to 15%.

LABOUR CHARGES: Hired labour at actual wages paid, pro-rated to herd according to time actually employed with herd. Operator labour at rate of \$100.00 per Mo. plus board (both only for time actually with herd). Grown son labour at rate of 30.00 per Mo. plus board.

FEED CHARGES: at rate prevailing in the district, as per attached sheet.

WEIGHTED AVERAGES: are arrived at by computing from totals of values and poundages, rather than from averaging the averages from each herd, e.g, weighted average total cost per Cwt. arrived at by adding totals of costs for seven herds and dividing this sum by the sum of the totals of production for the seven herds - Sept. 19th, 1933.

Farm No.	Average No. Cows milked	Average Prod. per cow	Total or Gross cost 100# of milk sold	Cash return per 100# produced	Cash ret'n 100# sold	Total or Gross return per 100# produced
49	18	12,481	\$1.16	\$1.19	\$1.28	\$1.31
51	16.7	12,180	1.35	1.25	1.41	1.41
52	22	9,167	1.46	1.14	1.23	1.25
53	18	8,264	1.58	1.13	1.19	1.27
54	14	10,113	1.32	1.03	1.20	1.19
57	9.4	9,108	1.43	1.12	1.28	1.26
63	15.4	8,783	1.33	1.00	1.10	1.10

Average Gross or Total Cost (weighed) per 100# or Milk produced on 7 farms above (this does not include any charge for hauling milk, a charge which approximates 15¢ per 100#\$1.36

Average Cash Return (weighed) for 7 farms above:
Per 100# milk produced 1.14
Per 100# milk sold1.25

Average Gross or Total Return (weighed) for 7 farms above:
Per 100# milk produced1.27

Average size of cow herd on above farms 20
Average number of cows milked on above farms 16.2
Average production of milk per cow per year 10,014#
(approximately)

The above figures are subject to final re-check.

It will be seen that in the Edmonton district the gross costs varied from \$1.16 per Cwt. to \$1.58 per Cwt. with an average of the seven farms of \$1.36, while in the Calgary district it ranged from \$1.14 to \$1.80 with an average gross cost of \$1.40 per Cwt.

The following was supplied by the Dairy Branch of the Department of Agriculture, Edmonton.

In the Province of Saskatchewan a much more intense survey was made by the Dairy Branch, and conclusions, as drawn, were based on the conditions existing in 1934 and 1935. In all, some 25 herds were kept under observation and were fairly evenly scattered over the entire Province, and the basis of cost figures is as follows:

Costs were computed on the same basis for the year 1934-5 as the previous year, as follows:

(a) CAPITAL OR INVESTMENT CHARGES: interest charged at rate of six per cent. on farm capital owned by producer used directly in production and handling of product; depreciation at 5% per annum on dairy buildings and

equipment; taxes; rent paid; repairs.

(b) FEED COSTS: Purchased feed charged at actual cash outlay. Home grown feed estimated at farm value, according to conditions, prices, etc., prevailing in the district where it is produced.

(c) LABOUR: actual cash outlay for hired labour. Unpaid family labour estimated at a standard scale of \$900.00 per annum to the owner, as manager of the farm, pro-rated according to the time actually spent on cattle and milk products; family labour similarly pro-rated at the rate of \$25.00 per month; board for each of the above and for hired help at \$10.00 per month.

(d) HAULING: as distinguished from labour, together with cash outlay for delivery to railway or dairy, and an estimate of auto or truck operation costs incurred in hauling, and railway and public service vehicle transportation.

(e) MISCELLANEOUS COSTS: include such items as veterinary services, auto costs on cattle, exclusive of hauling, light and power, depreciation on dairy herd, Herd Improvement, association and other dairy organization fees, etc.

From these, it was learned that the average cost for 1934 was \$1.59 per hundred pounds, while in 1935 it rose a small amount, to \$1.62. The Dairy Branch in Saskatchewan now make an annual survey along these lines, and it will be interesting to learn the figures arrived at in 1937, for in most of the districts where this work is being carried on there is almost a complete failure in crops, and feed is being imported from Manitoba, Alberta and British Columbia, and freight rates will have to be figured into the costs of the fodder.

A survey of this kind might well be carried on in the Edmonton and Calgary milk sheds, using a large number of producers' records upon which to base conclusions with respect to the costs of producing milk and butterfat. A survey of this kind should be associated with herd improvement work, which, we understand, is under consideration by the Dairy Branch, Department of Agriculture, Edmonton, at the present time. The Commission's recommendations along these lines are set out later in this report.

~~No adequate effort has been made by the organized producers, the distributor, or the Board of Public Utilities, to ascertain the cost of production. We believe that no practical method of price-fixing could be maintained unless such costs were known.~~

Any information which this Commission was able to gather in regard to production costs was such that we cannot accept the information as authentic.

No definite production costs of milk can be determined unless the exact percentage of butterfat production is established for each cow in the herd.

This Commission is informed by the Department of Agriculture that it maintained a free service for testing butterfat per animal, but as the producers did not avail themselves of this service, it was discontinued. (It operated from May until August 15th, 1935, when the tester resigned, and the post has remained vacant since that date).

It would seem imperative to this Commission that the producer should have this information, which, considered with land values, feed, costs and investment, etc., would establish a definite cost of production - one that could not be disputed.

Owing to the drought conditions existing in Saskatchewan and in parts outside the Alberta Provincial milk sheds, the price of feed has been very materially increased. Under normal conditions this would not apply.

MILK QUOTAS

Prior to the setting up of quotas, the Distributors and Milk Producers' Association had what was known as "averages" and allocated the surplus milk in relation thereto about the same as is done with the quotas at the present time. The surpluses in 1932 reached large percentages, but it was not until the latter part of 1934 that the quota system was set up under the Board of Public Utilities.

The reasons for setting up the quota system, rather than averages, and the benefits which may be derived therefrom are threefold, as follows:

The average was obtained from shipments by a dairy farm during certain winter months and was to encourage the shipment during the months when feed conditions would warrant a falling-off in supply.

The quota was, in reality, a contract with the dairyman that he could ship the amount of his contract, subject to the daily sales of the plant, and also that he must provide a surplus amount to take care of wagon returns.

In case of an over-supply of milk, the quota holder must accept additional surplus, and is paid accordingly.

However, the quota does assure a more equitable supply of milk throughout the entire year, but does not assure the producer of any given return.

The following is a list of regulations and adjustments issued by the Union Milk Company of Calgary to all those delivering milk to their plant in Calgary:

1. Every quota holder shall deliver a total poundage of milk daily which is equal to his quota, plus an additional 15%, with the understanding that the Union Milk Company be permitted, at a time of milk shortage, to acquire additional supplies outside of the present quota holders.
- 1(a). It is understood that the Company will pay current table cream price for butterfat contained in this additional 15% over-quota.
2. Any shipper (quota holder), whose average daily shipments during any pay period (bi-monthly) are less than his quota, plus the additional 15%, shall have his quota, plus 15%, reduced to the daily average of his shipments during that pay period.
- 2(a). In view of an existing long standing agreement between the Company and Dr. Hays, the additional 15% of his quota shall be apportioned as follows: Dr. Hays to supply 1/3 of 5%; in case of shortage of supply, Union Milk Company to absorb 5%; the remaining 5% to be absorbed if required, by the balance of the shippers.
3. Any shipper who incurs the temporary adjustment provided for in Section 2 hereof, four (4) times in any period of six (6) months, beginning with the first day of the first temporary adjustment, shall have his quota adjusted as provided for in Section 2, the result of which shall be the new quota.
4. Off-flavour milk shall, for the purposes of the above, be treated as part of a shipper's total shipments.
5. Any quota poundage deducted from shippers, as a result of adjustments shall be distributed equally among the other shippers who have for the last two months supplied more than their quotas, plus 15%.
6. The foregoing provisions, as to adjustments and redistribution of quotas, shall be invoked at all times, beginning with settlements for the pay period, June 1 to 15, 1937.
7. Any shipper, who is about to have his quota permanently adjusted, and feels this adjustment is being incurred by circumstances beyond his control,

shall have the right to appeal to the Board of Public Utilities.

The regulations governing quotas are not the same in each distributing plant, but the members of the Commission are unanimous in their decision that some form of control is absolutely essential.

PRICE TO PRODUCER AND CONSUMER

The following article is intended to show the relation of the prices paid to the producer compared with those the consumer is asked to pay for the delivered product.

In recent years, the public control of fluid milk for city distribution has become the established practice in nearly all of the large consuming centres of both Canada and the United States.

Municipal Health Authorities, realizing the importance of milk and its products in the daily family diet, have taken every possible precaution to secure the highest quality of product for urban consumers. Producing plants are periodically inspected, by health officials, and only those premises where the cows and methods of production measure up to the required standard of cleanliness, sanitation, and where disease-prevention precautions are used, are allowed, under the Act, to produce milk for urban use. This, of course, costs the producer more time, care and money to produce this class of milk than it did to produce the inferior quality of milk that was formerly sold for city consumption. It necessarily follows, that should the producer be put to all this extra expense, he must receive more for his product in return. Only production plants which are up to the standard are supposed to ship fluid milk, but the Commission found that such was not the case, especially in regard to shippers as against producers'-distributors.

When these control measures were put into effect in Alberta by legislative enactment in 1933, the basic price to the producer was set as follows: Calgary \$1.95 per 100#; Edmonton, \$1.85 per 100#. The ten-cent spread between the two cities was accounted for by the difference in the dairy conditions of the respective areas.

However, the price paid to the producer for milk in 1933, as compared with the price paid in 1936, has not increased in ratio to the cost of fodder during those years as the following table for the price of wheat, barley, and oats will show:

	<u>1933 price per bushel.</u>	<u>1936 price per bushel.</u>	<u>% increase.</u>
Wheat	.45	.87	93.3
Oats	.18	.34	88.8
Barley	.22	.55	150.0

Today, the price paid to the producer per 100# of city sweet milk in Edmonton is \$2.23, while in Calgary the producer receives \$2.35 for the same quality of city sweet milk.

In September, 1933, the Alberta urban consumer was paying 10¢ per quart for standard milk, but in 1936 the price rose to 11¢ per quart, showing a nominal increase of 10 per cent. over the 1933 price. A comparison of retail price of milk sold under public control in several cities in Canada and the United States reveals the fact that, with few exceptions the consumers of none of these centres are obtaining milk at a lower price than that paid in Alberta cities. Of eleven of the largest cities in the United States, two pay 14¢ per quart; two, 13¢; four, 12¢, and three 11¢ for 3.5 butterfat test milk.

Of the thirteen cities given in Canada only one, Winnipeg, is as low as 10¢ per quart for 3.5 butterfat milk, the balance being 11¢, 12¢ and 13¢. In making these comparisons between the prices in the cities of the United States and those of Canada, it must be remembered that the Canadian quart measures 40 ounces, while that of the United States is only 32 ounces.

But the local consumer fails to understand why the price of milk

produced in the heart of this vast agricultural district, which is considered the finest in Canada, should be compared with Philadelphia, San Francisco, New York, Montreal and other points. The consumer is not in the least interested in the price of milk anywhere except in the locality in which he resides, and a continued comparison of this kind only suggests that some form of monopoly is trying to standardize the price of milk generally throughout Canada.

The local consumer believes that milk can be produced and sold in Edmonton at the same price at which it is sold at St. Albert, a distance of nine miles away, where the price is sixteen tickets for a dollar. It is hard to understand why there is such a vast spread in price between these two points, unless the extra price is added to meet processing costs. St. Albert is not under Board control.

We would like to call your attention to the Board's Order No. 8024, dated the 24th day of August, 1936, dealing with milk prices in Camrose. Producer's price to be paid by distributor, \$1.60 per hundred weight; retail price - milk up to and including 4.9% butterfat, per pint 4¢, or 28 tickets for \$1.00; per quart, 7¢, or 15 tickets for \$1.00; milk over 4.9% butterfat - per pint 5¢, 22 tickets for \$1.00; per quart 8¢, 13 tickets for \$1.00.

Attention is now called to the Utilities Board Order No. 8046, under date of October 10, 1936, 46 days after the preceding Order, increasing the price in Edmonton to 11¢ or 9 tickets for 99¢. The consumer believes that feed conditions are equally favourable in Edmonton as at Camrose. It was, however, revealed at a discussion following the public hearing at Edmonton, Sept. 1936, that this Camrose Order had been made, and, therefore, the Board did on Wednesday, the 25th day of November, 1936, under Order No. 8056, increase the price in Camrose 30¢ per 100# and 2¢ per quart, or 12 tickets for \$1.00, to the consumer.

After a careful study of a number of pay-off sheets, submitted by milk shippers, this Commission is satisfied that the average price which most shippers receive for their total production is below the present cost of production, and also far below that price set by the Board for fluid milk.

As each dairyman has the equipment to produce and market to his approximate capacity and the overhead is practically as great, whether operated to capacity or less, it is natural for each farm to be "stepped-up" so as to receive the greatest return possible. This results in what is known as "surplus" and lowers the average price received by producers.

It would appear that the present price set-up is based upon the consumption of city sweet milk, the greatest amount of which should be consumed by the infants and growing children of our cities, and that if the producer can receive the maximum price for that portion of his milk he will be agreeable to take less than cost price for the balance.

This Commission feels this should not be and that the children should have milk at a price which will enable a sufficient supply for all.

Costs vary in different organizations, from $2\frac{1}{2}$ ¢ to 3¢ per unit, as set out in schedule of Sales and also shows in Evidence C.5. However, most of the large distributors claim that a loss is sustained in distribution. This may be the result of the many varieties of milk carried by the larger distributors' wagons, but it is a debatable point. Most of the producer-distributors were, at one time, shippers to some large processing plant, but now find that they are better paid to market their own product than under the former system of selling milk to a large organization and allowing them to distribute it. Therefore, this Commission must conclude that there is more money in distribution than there is in production and marketing through the larger distributing organizations.

The large amount of milk delivery wagons that invade the city streets of both Calgary and Edmonton in the forenoon would also suggest that there is money to be made in delivery, and the consumer arrives at the conclusion that this large number of wagons is adding to the retail price, as there is, apparently, a gross duplication of service.

The duplication of service, plus the over-expanded plant equipment, while not directly increasing the cost to the consumer when prices are set by the Board, does, however, increase the operating cost of the plants; thereby lowering their cash returns. We believe this item of cash returns, as shown by their records, was a matter of much importance when the Board first set the price, and also in any price change since that time.

Some of the larger distributors have placed equipment on the streets far in excess of that necessary for delivering milk economically. This, we believe, is done for the purpose of advertising, and should be charged back to advertising - not to distribution costs. Show horses and show wagons are not conducive to economical delivery.

It is admitted by those informed as to condition that the processing plants are far in excess of the requirements of cities of double the population of Calgary or Edmonton.

The present cost of distribution being approximately 50% of the consumer's dollar appears to be the cause of the low price to the producer, and to the added price to the consumer.

Duplication of plants, plus the duplication of delivery service, adds very greatly to the cost to the consumers, and should have been remedied by some action of the Board if the same were not remedied by the plants themselves.

In addition it must be remembered that some producer-distributors stated that if they lost their licenses to deliver, they would have to go out of business. Therefore, this Board must conclude that there is more money to be made in delivery than in production.

In Calgary one plant at least sells milk to a distributor who is said to own his own route, for 3¢ under the established sale price, so this plant must know that 3¢ is required to cover delivery costs.

DISTRIBUTORS' SPREAD

At the enquiry, the Commission heard numerous complaints from both producers and consumers, that, in their opinions, the cost of distribution was exorbitant, and as a result, excessive profits were being made by the larger distributing plants in both Calgary and Edmonton. Here again, the Commission was up against the problem of insufficient funds to carry on a complete investigation, for, in their estimation, the services of an expert accountant should have been engaged, and all financial transactions of someone of the leading distributing plants in Calgary, and the same in Edmonton, gone into thoroughly, so that a logical opinion could be given as to whether or not the producer was being paid a fair living wage for producing his product, the consumer was being charged a just price for milk and milk products, and the distributors receiving a fair spread for processing and distributing through their plants.

The following is a summary of sales, profits and costs on a unit basis, taken from the records of the distributing plants in both Calgary and Edmonton by the Board of Public Utilities' officials, covering the year 1935, for standard milk and table cream, and the Board of Public Utilities informed this Commission that it required, approximately, a period of eighteen months for them to compile these figures;

STANDARD MILK

Summary of all units converted to quarts

	Per Quart	Per Pint	Per $\frac{1}{2}$ Pint	Per Gallon	Per Quart
Gross sales	10.00035¢	6.08143¢	2.71828¢	29.67084¢	9.68300¢
Less discounts	.14080	.08751	.03928		.11752
Net sales	9.85955¢	5.99392¢	2.67900¢	29.67084¢	9.56548¢
Purchases	5.01951¢	2.52120¢	1.25928¢	19.81150¢	5.00900¢
Receiving & weighing	.21525	.10231	.05177	.89372	.21597
Pasteuring & processing	.53576	.31742	.14261	2.10029	.54088
Bottle Filling	.31942	.38631	.34695	.25565	.30842
Bottle washing	.25302	.32441	.29091	.21256	.24759
Cold storage	.28730	.22764	.20399	1.78401	.33004
Sales Can Expense				1.17862	.05387
Total Plant Cost	6.63026¢	3.87929¢	2.29551¢	26.23635¢	6.70577¢
Delivery expense	2.49937	2.38234	2.40918	4.45092	2.43105
	9.12963¢	6.26172¢	4.70469¢	30.68727¢	9.13882¢
Profit on Sales	.72992¢	.26780¢	2.02569¢	1.01643¢	.42866¢
Selling & Administration	1.05377	.64737	.28995	2.90455	1.01115
Net operating	-.32385¢	.91517¢	2.31564¢	3.92098¢	.58249¢
PROFIT & LOSS:					

Gallon data covers wholesale sales.

Purchases: This item includes the actual amount paid to producers for milk itself, plus the amount paid for any cream, etc., used in standardizing such milk.

SUMMARY OF SALES, PURCHASES AND COSTS ON A UNIT BASIS,
CALGARY AND EDMONTON FOR THE YEAR 1935.

	<u>TABLE CREAM</u>			<u>Summary of all units converted to Quarts.</u>	
	Per Quart	Per Pint	Per $\frac{1}{2}$ Pint	Per Gallon	Per Quart
Gross Sales	32.64179¢	19.06574¢	12.92123¢	122.09875¢	36.24750¢
Less Discounts	.44939	.29189	.20147		.28494
Net Sales	32.19240¢	18.77385¢	12.71976¢	122.09875¢	35.96266¢
Purchases	16.60128¢	7.87812¢	3.88996¢	65.03306¢	16.07547¢
Receiving & weighing	.41289	.30065	.16126	1.91485	.52398
Pasteurizing & processing	1.67829	.84793	.39319	4.70339	1.36823
Bottle filling	.44873	.49549	.47019	.15221	.59059
Bottle washing	.35133	.41020	.39443	.12092	.49098
Cold storage	.53793	.34763	.32625	2.83246	.82256
Sales Can Expense				2.34661	.33747
TOTAL PLANT COST	20.03045¢	10.28002¢	5.63528¢	77.10350¢	20.20929¢
Delivery expense	2.58222	2.43412	2.39972	6.75843	3.87734
TOTAL COST	22.62167¢	12.71414¢	8.03500¢	83.86193¢	24.08663¢
Profit on Sales	9.57973¢	6.05971¢	4.68476¢	38.23682¢	11.87603¢
Selling & administration	3.22613	1.95579	1.33431	12.13177	3.65887
Net Operating Profit or Loss	6.35360¢	4.10392¢	3.35045¢	26.10505¢	8.21716¢

We find that the distributors' spread varies slightly in the different Provinces of the Dominion, and also in its relation to other countries. For example, we have before us the data compiled for the City of Wellington, New Zealand. Wellington has a population of 110,000 and the following is the distributors' spread taken for the month of November 1936:

DISTRIBUTORS' SPREAD

-1936-

Wellington spread on milk.....	5.04	per	quart
Edmonton spread on milk.....	4.47	"	"
Calgary spread on milk.....	4.82	"	"

In reply to a specific question as to the probable trend of spreads in Wellington, the manager of the Wellington plant indicated in May of this year that the present tendency is as follows:

- (1) For the producers' prices to rise.
- (2) For the Consumers' prices to rise.
- (3) For the price margin or spread to widen.

However, it would be well to remember that conditions are much different in New Zealand than in Canada.

The Utilities Board has stated that an exhaustive survey of plants has been made to determine just plant spreads. Assuming this to be a correct statement, we find that, by the accompanying statement - supplied by the Utilities Board - the totals showing in red suggest a loss. This Commission can only assume that the spread is insufficient and should be increased to cover the cost of handling. This could be done by increasing the cost of pasteurized milk to the consumer who prefers this kind of milk.

Upon reviewing the attached schedule of costs and the evidence submitted by File E.9, the members of the Commission are not in accord with the statement, and believe the above-mentioned schedule cannot be correct. Where did the profits come from to pay off debts, provide sinking funds and acquire further plants?

This evidence shows that a general profit is being made, and it was admitted that other than fluid milk provided this profit. If such is true, this Commission strongly recommends that a closer spread be maintained on city sweet milk and all by-products of milk. We believe all milk products within the controlled area should be included under the Control Board, and regulations covering same put in practice.

In the adequate handling of the price spread lies the only successful method to control the milk industry.

The attached statements, however, show that plants, through the fluid milk trade, have sustained a loss in handling and distributing, and the table cream has provided a substantial profit.

It would appear that as the table cream shipper can only supply fluid milk upon request at a time of shortage, and cannot be a milk shipper without the consent of the Control Board at other times, and considering the conditions under which both are produced, he should have a more favorable position in the trade.

CONSUMPTION OF FLUID MILK

From the evidence of practically one hundred witnesses residing in the districts of Edmonton and Calgary, the Commission learned that, in a great number of cases, the consumption of milk had fallen off considerably, due principally, to the purchasing power of those families being decreased. But, in several other cases, the consumption of milk had increased, and on the whole, over a period of the last three years, beginning from the first of January, 1935, there was very little change, either increase or decrease, in the consumption of milk in the cities of Edmonton and Calgary.

The following figures were supplied by the Board of Public Utilities, but have not been verified by the Commission, and indicate the per capita consumption of milk during the months of January, March and November, for the years 1935, 1936 and 1937, no figures being available before that date:

CALGARY	1935	1936	1937
January	46795 pts. .561 "	48449 .581	48877 .586
March	48343 " .582 "	50399 .604	49976 .599
November	48702 " .584 "	39732 .596	----- -----
<u>EDMONTON</u>			
January	50625 " .641 "	54662 .67	54242 .632
March	52344 " .662 "	56500 .69	56282 .656
November	53670 " .658 "	55952 .65	----- -----

These figures show a per capita consumption of milk in Calgary and Edmonton as follows:

Calgary..... .58 to .59 pints per day
Edmonton..... .63 to .65 " " "

and represent only the increase or decrease in the consumption of fluid milk, but do not include any allowance for canned milks used in these centres. The actual consumption, therefore, is somewhat higher than these figures.

The following figures were also computed to show the consumption of milk in pints per day when the production of this commodity was at its highest peak - these three months are: July, August and September, of 1935, 1936 and 1937.

CALGARY	1935	1936	1937
July	45,486	49,407	48,079
August	43,204	45,454	42,476
September	45,699	46,446	47,540
	<hr/> 134,389	<hr/> 141,307	<hr/> 138,095
<u>EDMONTON</u>			
July	50,044	55,066	51,955
August	46,660	50,000	49,037
September	47,484	53,700	52,933
	<hr/> 144,188	<hr/> 158,766	<hr/> 153,925

It will be noted from these figures that the consumption of milk in both cities was greater in 1936 than in 1935, but that in both cities the consumption fell off a small percentage during 1937. However, from the records kept by several of the leading stores in Edmonton, figures indicate that the consumption of canned milk, manufactured within our Province, is gradually on the increase, and that several thousand cases were sold within the Province in 1937 over those sold during the preceding year. Whether canned milk will be considered a strong competitor of fluid milk can only be learned as time goes on, but it is a well-known fact that fluid milk, as a product, is receiving less publicity and advertising than any other food stuffs on the market to-day.

The experiences of the past month in Calgary, where a small advertising campaign is under way, would seem to indicate that, where the real values of milk are advertised extensively and kept before the consumers through the proper type of advertising, there is little or nothing to be feared at the present time from the reduced consumption.

The consumption figures before-mentioned were obtained from the Utilities Board, which, we assume to be accurate, and must apply in a general way. However, the consumer-witnesses that appeared before this Board, both in Calgary and Edmonton, frankly state they are using considerably less milk than they could consume, and that the reason is the price is beyond their reach. The larger families, are apparently, the families requiring more milk as food for their small children, and their purchasing power had not been increased, while the more prosperous families, with fewer children, no doubt, have had an increase over the same period of the time with regard to income - thereby increasing their demand for the products of fluid milk and cream.

Witness E.31 representing the Edmonton Consumers' Research Committee, the Edmonton Mothers for the Protection of Youth, the Labour Party, C.C.F. Party, Communist Party and various Trade Unions, bodies and Women's Groups, and some organizations representing Ukrainians, states under oath, that, in her own home she could use $3\frac{1}{2}$ additional quarts of milk per day. E.44, Consumer, states she cannot afford to give her family the milk they require on the family income. Practically all consumer-witnesses have agreed that, due to the price, they are unable to purchase the necessary milk and cream requirements of the family.

Relief recipients did not have their allowance for milk increased when the price was advanced, and if they are now using the same amount of milk they are going short on some other necessity.

Consumers generally seem to have no quarrel with the producers as they figure they are all working-class people, but they do feel that the distributors' spread should be less. However, the average consumer knows little of the cost of processing milk.

Evidence is also produced by the consumer-witnesses that some producer-distributors are willing to supply milk at 12 quarts per dollar but are prevented from so doing by the fixed price. The consumers of milk provide all the funds upon which the milk structure is built. That is to say, if the power to consume is removed or reduced, then the necessity for production is likewise removed or reduced. The consumer only complains of the price of milk or any other commodity when he does not have the purchasing power.

While the consumer is not in a position to supply statistics, it would seem that the Control Board should make a careful survey of the consumer's position to buy, and if found insufficient, to then recommend some system of subsidy. This could only be practical when definite cost of production has been established. To establish a distributors' spread, some considerable months were spent by the Control Board, in making a thorough survey, and we maintain that the same careful survey should be made of both the producers' and consumers' position.

It is very evident that the amount of milk purchased, as compared with the amount of milk required by the poorer families, is insufficient, and that if the more fortunate people continued to increase their demand, they would naturally absorb the shortage of the poorer people. We believe the aforementioned to be the reason for no perceptible change in the records of the Utilities Board.

We believe further that the poorer people are meeting their milk requirements by the substitution of evaporated milk, and we refer you to the Chart elsewhere in this report, showing an increase in the retail sales of evaporated milk, of 34%. These statistics were gathered from retail organizations in the City of Edmonton, and, therefore, this must (we would imagine) take the place of fluid milk. This involves a saving, it is claimed, of a little over 2¢ per quart to the consumer.

COMPETITIVE CONDITIONS

Since the Utilities Board has taken control of milk and established prices at which all fluid milk and cream are bought and sold by the distributor and the producer-distributor, very little evidence has been received of direct price-cutting to the consumer.

One serious condition does, however, appear, namely: "built-up" milk. Each distributor manufactures a variety of specially prepared milks in the hope of attracting a new customer. This condition causes some distributors to place many varieties on each wagon, thereby increasing the cost of delivering and handling.

The distributor is quite frank in placing this condition on the consumer's demand. However, this Commission is of the opinion that the Consumer's demand has little or nothing to do with the varieties, except to purchase them, if possible.

The privately owned cows in Edmonton have a very serious affect on the milk trade. These cows are pastured on open lots of land at a small feeding cost to the owner in the summer months. In the fall, many of these cows are allowed to go dry and are placed with farmers at a low feed cost for the winter months. Our information from the City Health Department is to the effect that there are about 600 of such cows kept in Edmonton. It is probable that about 10% of the milk consumed in Edmonton is produced from this source, especially in the summer. This, no doubt, has a very serious effect on trade to the licensed shipper by the way of increasing his surplus which is always the case when the demand for "city sweet" is reduced.

The distributor is affected badly by the loss of customers as a result of the family cow, also the reduction of the milk load carried by each wagon with no reduction of overhead.

From the evidence submitted to this Commission, it appears that the only competition which exists in the trade must be along the lines of service as the prices being set do not allow for price-cutting.

Therefore, it would seem that for any distributor to obtain new customers (other than newcomers to the area), it is necessary to draw from the list of patrons of some other distributor. This can only be done in a legitimate way by the added service which can be given. The distributors claim that it is necessary to make extra trips at different hours to deliver the milk required in one block or apartment house.

As all milk sold is declared pure and sanitary and as the butterfat test must come within the specified rate, it would appear that this extra expense involved by these several trips should be borne by those demanding the extra service. As the Board has power over price they should have power over service.

EVAPORATED MILK

The form of milk shows an increase of sales in the past six months. Then, we can only assume that the city sweet demand is reduced. When a reduction occurs in city sweet the surplus increases, causing a considerable reduction in the producer's pay-off. (Concentrated Milk.) Statement attached.

This Commission is of the opinion that unless the price of city sweet is reduced, thereby halting the increasing demand for evaporated milk, the milk industry as far as city sweet and cream are concerned, will be seriously impaired, if not completely destroyed. The attached table shows comparison of increase of consumption of evaporated milk and decrease of city sweet and cream.

MILK PRODUCERS' ASSOCIATION

The Commission finds that in the Province of Alberta there exists two producer organizations, incorporated under the Marketing Act - one for the production and shipment of milk to be processed, and the other is -producers who sell direct to the consumer. The former group of producer shippers have an organization in the Province of about 300, and practically all are producing milk under quota contract with some processing plant. The officers of this organization feel that they have accomplished much through the efforts of their organization. However, some of the members are not in accord with this idea - while they retain their membership in the organization, they seldom attend any meetings.

The dues of this organization are collected from their shipments and paid to the organization by the distributor.

The members feel that an organization of some kind is necessary, but at the same time, from the evidence, we gather that they are not satisfied in a general way with the officers. Some have gone so far as to suggest that their officers are more interested in the welfare of the distributors than in the welfare of the members. Evidence No. E. 38.

The Commission feels that an organization of producers is most necessary, and regret exceedingly that this lack of confidence appears on behalf of the organization members.

The producer-distributors are the producers who market directly their own products consisting chiefly of natural milk. This organization seems to have more confidence in their officials and are working with a better evidence of co-operation. Both organizations are under regulations of the Utilities Board, as well as the City Health Board. The producer-distributor organization appears to be under much stricter sanitary regulations than the producer shipper. This Board would recommend the strengthening of the producers' organization and re-establishment of confidence within themselves.

CIVIC HEALTH REGULATIONS & CONTROL OF FLUID MILK.

Both the Edmonton and Calgary Health Boards supervise the sanitary conditions under which milk is sold and produced in both cities, together with the butterfat contents thereof. However, the requirements by the Edmonton City Health Department seem to be much more rigid than in Calgary. In Edmonton, an attempt has been made by the local health authorities to grade all milk sold on the equipment in use at the point of production, not necessarily on the quality of the milk, and have gone so far as to suggest that the producer-distributors' wagons carrying milk and offering it for sale from establishments classified by the City Health Board as "B" grade shall have painted on their wagon the letter suggesting the grade established by them on the equipment at the point of production. That is to say, if a producer-distributor did not have a mechanical capper, his milk, however high the quality may be, would carry a letter "B", suggesting second grade on his wagon, therefore interfering with his sale of what could be perfectly pure milk. This Commission is not in accord with this method of milk grading, but rather believes that all milk should be classified as to its actual test value.

This Commission believes further that all milk, from whatever source it originated and whether it is to be sold directly or indirectly to the consumer, should be produced under the same sanitary condition. We found no such contentious question existing in Calgary. The producer-distributor here seems to have no complaint to make against the City Health authorities.

In the Edmonton shed, it would appear that much stricter sanitary regulations are applied to the producer-distributor regarding cattle, premises, utensils, positions of milk houses relative to barns, etc., than is carried out in the case of the producer-shipper. Apparently the Health Board must believe that the act of pasteurizing does purify the milk. Therefore, it is not necessary, in their estimation, for milk to be produced under the same sanitary conditions as milk produced and handled by the producer-distributor in its raw state.

GROSS SALES

CONCENTRATED MILK, ALBERTA

(Reports from 6 firms)

GROSS SALES	<u>12 Months 1936</u>				<u>10 Months 1936</u>				<u>10 Months 1937</u>				Gross Sales 10 Mos. 1937 compared with 10 Mos. 1936.
	Pow'd cases	Con'd Cases	Evap. Cases	Total Cases	Pow'd Cases	Con't Cases	Evap. Cases	Total Cases	Pow'd Cases	Con'd Cases	Evap. Cases	Total Cases	
A	27	56	1439	1522	26	46	1189	1261	33	32	1433	1498	18.79% increase
B	17	49	869	935	14	49	735	798	25	42	1114	1181	48.00% "
C	519	495	5435	6449	433	470	4880	5783	734	410	6175	7319	26.56% "
D	298	298	5293	5889	236	230	4368	4834	729	263	4285	5247	8.54% "
E	680	325	5265	6270	671	280	4353	5304	933	287	6204	7424	39.97% "
F	335	414	5347	6096	308	381	4602	5291	327	332	5690	6349	20.00% "
	1876	1637	23648	27161	1688	1456	20127	23271	2781	1366	24871	29018	24.70% "

We are attaching copies of Exhibits "A" and "B", Calgary and Edmonton Health Regulations.

Exhibit "C":- This exhibit is submitted to call your attention to the strict methods adopted by the Dairy Supervisor of the Edmonton Health Board. Mr. John Stott, of North Edmonton Post Office, to whom this communication is addressed, has a very large investment in buildings for the housing of cows and handling of milk. Last year he erected a most modern milk house which meets all the requirements of the City Health Board. At the time the Enquiry Commission inspected his premises, he had about half the required amount of lumber on the ground to erect a new cow barn. The other buildings, his residence, horse-barn, fencings and everything about the place are the very best type, and, no doubt, he contemplates erecting a cow-barn which would conform with his other buildings, and it would be a very hard blow to this man to have the last paragraph of Exhibit "C" exercised.

This Commission believes that more consideration should be given in cases of this kind to determine just what is causing this bacteriological condition in milk produced on farms before drastic action of this type be taken.

UNFAIR PRACTICES

In the course of the investigation, it was brought to light that certain processing distributors within the protected areas (milk sheds) are, at certain times of the year, shipping milk to other centres outside of the areas controlled under the Utilities Board.

This milk is purchased by the plant from the licensed shippers of the area and is paid for at the price paid for surplus milk. This milk is then processed and shipped to other parts (Banff, Bowness, Drumheller), and there sold at a lower price than the local product demands, and also for less than the set price within the protected area.

While such markets open up an outlet for a certain amount of milk which otherwise would not be consumed as City sweet, it does not appear consistent that the producers of a certain area should require that they have protection from competition and then they, themselves, invade another area having no restrictions in force and so cut prices against the local producer. (The evidence of this was gathered by actual demonstration.)

It was claimed that, in some cases, the drivers are responsible for the loss in bottle-breakage. In this extreme winter climate we do not believe this to be a fair practice as bottles left outside freeze quickly. The drivers are also held responsible for the issuance of credit (to a certain extent) and must take the responsibility of granting or refusing further credit.

Also, some plants arrange that their drivers can build up a route by prompt and efficient service (which is more remunerative for the driver), but the same can then be taken over by the plant without the driver's consent and no compensation is given to the driver. Such, we believe, to be unfair to the industrious driver of the delivery wagon.

It has been claimed by many, and proven by some, that the method of weighing, grading and testing, as carried out at the plants, is most unsatisfactory to the shipper. All these services are under the sole control of the plant and the shipper has little or no chance to demand satisfaction, and does not, in some cases, receive a fair deal. ?

This might be checked up by the shipper insofar as weights are concerned. Few have the equipment to make tests. Some people have the idea that the graders are under Government employment, but such is not the case; they are plant employees who have passed the Government examinations as milk and cream graders and are working in the interest of their employers.

There also exists what this Commission considers as an unfair practice, namely: the discrimination as shown between the fluid milk shipper and the shipper of table cream only. The milk shipper, after filling his quota,

is then allowed table cream price for part, or all, of his surplus, while the table cream shipper cannot invade the milk part of the trade, except in case of shortage of milk for the demand.

When the surplus of milk is great, the table cream shippers must accept churning cream price for all or part of their product, thus giving up their market to those who, for want of business foresight, have produced milk beyond the market requirements.

The products of both these classes of shippers are produced under identical conditions and the same rigid control. Both can, in time of need, contribute to assure continuity of supply, and we believe that as the milk shippers have the fluid milk trade assured to them, so long as they can, and do, supply the required amount, the table cream shippers, who must be on hand to fill the need in time of shortage of fluid milk, should also have the table cream market assured to them so long as they can supply the demand; otherwise no invasion of the other field should be considered by the Control Board.

CONTAINERS FOR DELIVERY OF FLUID MILK & CREAM

The Commission, while investigating ways and means to reduce the cost of distribution, was fortunate in hearing of a new invention recently introduced into Canada and many other Countries, called "Perga", a container which is similar in material to that of sanitary drinking cups. This container is made in quarts, pints and half-pints and is being used very extensively, and successfully, for the delivery of milk and cream in many towns and cities in England, Germany and other Countries, also in Eastern Canada and the United States of America. It was first manufactured in England, but on account of the very large demand is now also manufactured in Hamilton, Canada. The Commission learned that Mr. R. English, of 1250-106 Avenue, Edmonton, is Provincial selling agent in Alberta. At the Commission's request, Mr. English appeared before them with samples, and explained the many advantages obtained by the use of this container in the fluid milk and cream trade over that of the glass bottle. He also explained the method of filling and sealing by hand and power machines, which the firm supplies at a very reasonable price. This container will, undoubtedly, revolutionize the problem of containers for the delivery of fluid milk and cream.

Some of the advantages claimed for the "Perga" container over the glass bottle are as follows:- A saving in capital investment, labor, transportation, breakage of bottles, washing, handling space, weight of load, hygienic, no collection of empty bottles, etc. It is also claimed that firms now using this container have greatly increased sales. The fact that this container is not refilled or used again, but is destroyed, prevents any possibility of contamination such as may be carried by a bottle not properly washed. The present load of milk in glass bottles would be reduced by one-half the weight and as the deliveries are made there is a continual reduction in the load, there being no bottles to be collected or returned.

Another great advantage in using this container is that it would remove a source of considerable complaint heard from many delivery men in regard to breakages. The Commission found that a large percentage of broken bottles returned are charged against the delivery man, which, of course, often seriously affects his wages. Again, cracked or chipped bottles are dangerous should children or other persons drink from same. There appears to be so many advantages that this type of container will undoubtedly be universally used in the near future.

The Commission finds that the container has been fully approved by Health Boards and the Medical profession in many cities, and feel sure that the introduction and use of this container should, to a considerable extent, assist in the reduction in the cost of the distribution of fluid milk and cream and hope soon to see tests made in Edmonton and Calgary.

Attached hereto are weight comparisons, also actual cost comparison of "Perga" containers and glass bottles as found by the Harold Green Dairy,

London, England, also a copy of matter sent to the Board of Health, Edmonton, stating the material used and methods of manufacturing same and a catalogue with cuts of machines for measuring, filling, folding and sealing. The Commission hopes that this matter will be of interest to your Hon. body.

DUPLICATION

Probably one of the most serious conditions affecting the milk trade in both Calgary and Edmonton is duplication, which occurs in every branch of this industry from the point of production to the doorstep of the consumer. By way of explanation let us start with the producer:

In view of the ever present existence of from 25% to 40% of surplus milk, it would suggest one of two things either the shipper is satisfied to take a less amount for his total production, or he is compelled to create a larger amount of surplus than is profitable, causing a loss in production. It would seem better, under the control quota system, to require not more than 10% beyond his quota to cover wagon returns. Some plants have admitted this amount is sufficient, and, we believe, surplus requirements should be a separate contract apart entirely from the quotas. The producer, at no time, should be expected to carry an unnecessary investment in cows and feed, or compelled to perform unnecessary work in the production of a product for which he is not being amply paid. True, the producer must produce some surplus in order to guarantee his quota contract, but it would seem, under the present set-up, that he must produce too large a percentage of surplus compared with the amount of his quota contract in order that cheap milk, or plant required surplus, is provided for the production of other milk products which do not, at present, come under any Government control. The next step in duplication brings us to the processing plant. Both Edmonton and Calgary have at least twice as many plants as are required to meet the demands of the market. This duplication is probably the most serious and costly of any in the entire set-up, due to the enormous investment in plants and equipment.

We are informed by the officials of the Board of Utilities, however, that these plants are not over-capitalized, but their true value was determined at the time the survey was made by chartered accountants for the Utilities Board. This may be true, but the public should not be expected to pay overhead charges on twice as much equipment as is necessary to meet the demands of these cities.

Delivery duplication is most evident; in fact, it is the only duplication that is visible to the consumer. This Commission believes that a scientific system of trimming, or cutting-down, of what is useless expense in this industry would ultimately produce cheaper milk to the consumer, a reduced cost of operation in the plants, and a very material reduction in the producers' costs, thereby being very beneficial to the entire industry.

TRANSPORTATION OF MILK FROM THE POINT OF PRODUCTION TO THE PROCESSING PLANT

Routes have been now established by truckmen on the different main roads leading to Edmonton and Calgary for the transportation of milk produced on the farm to the various processing plants in the cities. These rates vary from 10¢ to 20¢ per hundred pounds on all shipments and are deducted from producers' pay-off slips. Producers living on by-roads, haul their milk out to the main highways, where they have loading platforms, from which the trucker receives the milk and conveys it to the cities. These cans, so deposited on the receiving platform by the farmer, may, occasionally, be exposed to the hot sun for a period of time before being picked up by the trucking contractor - after which, the cans are loaded on the truck that is not equipped any way with a cooling system to hold the temperature of that milk to a low degree to prevent the development of any bacteria, which would reduce very materially, the grade of the shipment, thereby creating a considerable reduction in the shipper's pay-off check.

This Board would like to suggest that this be investigated, with a view to having contractor trucks equipped with ice, or some cooling system, along the same lines as the finished product is delivered by the wagons on the city streets. We believe that it would materially increase the shipper's grade and be ultimately more satisfactory.

A comparison of the prices charged to the consumers of Edmonton and Calgary was made with the prices charged in several of the larger cities in both Canada and the United States, e.g., Montreal, New York, Philadelphia some being as high as 14¢ per quart, and it was found that the prices charged were invariably higher than those charged in Alberta. Winnipeg however, with a population of over 215,000 has milk delivered at an average price of 10¢ per quart.

The Commission, however, is of the opinion that a reasonably low price, say 10¢ per quart, be paid by the consumer for milk. This would tend to preserve the milk industry in Alberta, and would prevent the importation and consumption of milk substitutes.

While price levels, as set by the Board of Public Utilities for Edmonton and Calgary milk sheds, are, viz:- Edmonton \$2.25, Calgary \$2.35, yet it must be kept in mind that these are not the prices actually paid to the producer for city sweet, as a large surplus is required, varying from 24% to 40%; thus reducing the price when surplus is supplied to as low as \$1.40 or as high as \$1.84, so it must be kept in mind that something undoubtedly must be done in regard to surplus supplied or called for when the matter of price to producer is being considered. ('Evidence.)

CONCENTRATED MILK

During the sitting of this Commission, the compiling of the report has covered a considerable time, during which milk sales of all kinds have been carefully watched. The consumption of evaporated milk has been steadily on the increase to a point well beyond 34% in the last ten months. As the enclosed table will show, much of this canned milk is imported into the Province. A considerable amount is produced by the Central Alberta Dairy Pool and sold under the trade name of "Alpine" milk. This brand of milk is often placed on sale in Edmonton at 8¢ per can, which is supposed to make one quart of standard milk. Therefore, the consumer is saving 2¢ per quart by the use of canned milk or a little better than 20% less than he would require to pay for standard milk. When this class of milk shows an increase then this Commission can only presume that there is a corresponding decrease in the sales of city sweet standard milk. When this Commission compares the amount of taxes paid by the producer - distributor, processing plants and the producer-shipper, with the amount of taxes paid locally by outside condensary plants, there is little wonder this product can invade the markets which are justly the property of the former.

This conclusion regarding the taxes of the Central Alberta Dairy Pool is arrived at by the perusal of a recently compiled report to the Department of Trade and Industry by a Committee comprising Messrs. F.G. Cottle, K. J. Hawkins and F. C. Bellamy. The only manner in which this situation can be met, in the opinion of the Commission, is to reduce the price of city sweet milk-thereby reclaiming the market for those who are justly entitled thereto.

As previously stated, the larger consuming points of milk and cream in the Province, namely: Edmonton and Calgary are encompassed by a boundary recognized as a milk shed, beyond which point fluid milk and cream cannot be shipped for human consumption. Still, canned milk is allowed to invade these territories and to be sold at a lesser price.

Families surrounding these two cities have worked for years and years to place themselves in a position whereby a living could be provided through the production of milk for these areas and now find themselves confronted with a condition that is driving them out of the trade, or at least to the point where only a mere existence is the recompensation for years of hard labor.

THE BOARD OF PUBLIC UTILITIES

Control of the fluid milk trade was placed under the Board of Public Utilities in 1933, upon the request of the producers who were receiving a very low average price due to the fact that many grain farmers had taken to dairying, thus creating a "surplus."

The Board of Public Utilities once increased the price 35¢ per hundred pounds to the producer, thus winning the support of the producers. Soon a quota was established, in which the average production of several years plus the amount of sales of "city sweet" was the basis for the pounds each producer might ship per day less 25¢ to 30¢ which had to be supplied at a much lower price.

It was not taken into consideration at that time, that certain producers had lowered their production those years to accomplish the very thing that was causing the greatest worry to all, namely, to do away with "surplus." These producers were discriminated against by having a very low "daily average" allotted to them, or donated to them, as the quota was a free gift at its inception, but it has now become commercialized and is a valuable asset which the above-mentioned producers must purchase if they wish to ship the amount they formerly produced.

This Commission believes that no quota should have become the property of the producer, but rather quotas should remain in exclusive control of the Board of Public Utilities and be rented at a nominal rate to any licensed producer wishing to ship to any distributor, provided that the said producer's plant would pass the required inspections. This method may have solved many a producer's problem, but the Board of Public Utilities does not approve of the renting of quotas.

The Board of Public Utilities made no worth while effort to ascertain the cost of production of milk, etc., during the intervening years, but spent considerable time to establish a fair price spread which would secure the distributors' profits.

Apparently their efforts were directed to ascertaining the amount necessary in the price spread, and to maintain the over-expanded and uneconomical distribution carried on by the plants in the cities of the Province, up to, and even now, with the Board of Public Utilities' approval.

The Board of Public Utilities must be over-worked, or understaffed, because they must realize that no "just price-fixing" could be started unless the "price of production" was known, and no person could expect any expect any production plant, such as a dairy farm, to carry on for (4) four years if the plant was not receiving the "cost of production".

A "probable production cost" which was gathered by an individual prior to 1933, did not signify the production cost of milk in Alberta, and the only "production costs" this Commission obtained were those from the Department of Agriculture, of Saskatchewan, for that Province, and these show that the costs in Saskatchewan were much above the average prices paid in Alberta under the Board of Public Utilities' orders.

The Board of Public Utilities have known that the "distribution of milk" in the cities was a most costly service and that there was an enormous amount of duplication of service. If such duplication is removed, the product could be sold at a lower price- thereby creating a larger consumption, and so far as this Commission can discover, nothing has been done in this regard save to curtail the members of the "producer-distributors".

This Commission is of the opinion that while the Board of Public Utilities is trying to reduce the number of producers and producer-distributors who are supplying fluid milk for city consumers, so that there be less "surplus", this is only another step on the road to monopoly when the trade will come into the hands of the few.

The Board of Public Utilities has known of the weakness of the system for some time, and if they did not have sufficient powers they have never, so far as we can learn, requested any extra legislative authority to carry

out their duties. They have known of certain discrepancies in the pay-off system and if they had examined the plant records as they claim to have done, they must have known that certain unsavoury things were taking place, but no action has been taken.

We fail to see why the misappropriation of funds in the Calgary co-operative plant was not discovered before thousands of dollars had been taken illegally, without the knowledge of the Board of Public Utilities. We believe that a thorough investigation should be made by a chartered accountant, to ascertain the real situation in the plants, such an investigation having been beyond the power of this Commission as no accountant was attached thereto. The Commission received certain pay-off sheets, which officials of the Board of Public Utilities did not even recognize as being used by any plant.

But, while we are agreed as to the moral right to set prices, the granting of licenses to some, and withholding from others in the interest of the majority, there is the legal question which should be carefully considered.

CALGARY SPREADS

"City sweet milk", when paid for at \$2.35 per hundred pounds, costs 6.184 cents per quart.

"surplus milk", the same quality of milk as the above, costs at 77¢ per Cwt. -2¢ per quart.

We do not believe that the children should be penalized by the higher cost of milk which they consume.

(Quotation by W. R. King, M.L.A.)

ACKNOWLEDGEMENTS

The Committee desires to express its thanks and appreciation to all those who so kindly contributed evidence in this enquiry, and who, in other ways, co-operated in the gathering of all details.

Rice Sheppard
Chairman.

Dave Lush
Secretary.

Wm. R. King

W. E. Masson

D. L. White

RECOMMENDATIONS

1. Owing to the lack of confidence expressed by certain producers, producers-distributors, and plant managers in the personnel, and the activities of certain officials of the present Board of Public

Utilities, and with a view to regaining that confidence of all those concerned in the trade, and for the purpose of removing more of the difficulties of the industry, we recommend -

- "That a NEW BOARD OF CONTROL be established, under the control of the Department of Agriculture, with all powers necessary to adequately direct the handling of all milk, and milk products within the controlled areas. //

That such Board be representative of all branches of the industry, and work in conjunction with the dairy branch of the Department of Agriculture.

That the Board of Control advise the Minister in charge of the Department, as to regulations necessary to conduct control measures, that the enforcement of such approved regulations be under the management of the Board, but that the Courts of the Province be employed to hear and decide on any violations of the regulations.

2. Owing to the dissatisfaction of shippers to the present method of weighing, grading, and testing at the plants, which we are convinced is not as it should be, and to install confidence and encouragement in those engaged in the production of fluid milk and cream we would recommend:

- "That a government Inspector be installed in each of the distribution plants within the control areas, whose duties shall be to weigh, grade, and take samples for testing, and no product to be handled in any way until such an Inspector has completed this duty.

That these Inspector be moved from place to place so that a check-up be made on all concerned.

The decision of the Inspector to be final in all matters under his control.

3. Due to the over-abundance of plants and equipment, and to the excessive amount of duplication of delivery service rendered by the distribution plants, and with a view to providing consumers with lower costs, we recommend:

- "That some system of zoning the areas be set up, or that a scheme along the lines of that used by the Brewery Interests be adopted.

That to get the assistance of the distributors in this regard without undue delay, we would strongly recommend that the price spread as between that paid the producer, and that charged the consumer be narrowed down.

That all shippers of fluid milk be required to ship 10% over their quotas to provide for the daily fluctuations of the demand, but that no shipper be allowed to ship more than that total to any plant handling fluid milk or table cream within the area.

We believe that a continent-wide effort is being waged against "Natural Milk" by interested parties, and many have declared their desire to use this product. As the medical profession are divided as to their opinions in the matter, and as we have not the ability to solve the question, we however, recommend that no action be taken to deprive those consumers from obtaining "natural milk" if they desire the same, and recommend:

"That natural milk be allowed to be sold in any control area, and that the word "Natural Milk" and not the words "Unpasteurized" be used as identification.

That all milk be graded according to its quality, and not upon the equipment purchased by the dairy. X

That as it costs considerable to pasteurize milk, we recommend that the public pay the extra cost for this service, over the price paid for natural milk.

That whereas the cost of producing table cream is as great per pound butter-fat as is the cost of producing an equal amount in the form of fluid milk, and whereas the distribution plants show a very substantial profit from the handling of table cream, we recommend:

"That the producers of table cream receive a price more in line with the price paid for city sweet milk, that the present discrepancy in practice, as between the milk shippers and the table cream shippers be removed. That each be recognized as a separate business and each be licensed accordingly, and no invasion of the others' field of business be allowed so long as there be no shortage of supply in that particular field.

We learn that the number of producers and producer-distributors are steadily becoming fewer in number, and as those engaged in this business are doing so for the purpose of providing a home for their families, and if forced out of the business will, in some cases, be compelled to apply for relief in the future, therefore, we suggest -

"That special attention be given to those engaged in these particular parts of the industry, in order that there be no monopoly allowed to gain control of the industry."

No driver to advance credit beyond \$2.00 unless by written authority of his employer, who then assumes responsibility.

-All credits beyond \$2.00 to be reported to the Board of Control, for the use of all plants, and their drivers, for information regarding credits.

-Special deliveries to be paid by consumers as extras.

-Automatic punch scales be used in all receiving plants.

-That quotas be placed upon a rent basis, instead of owned.

-A careful investigation of the new containers be made.

-Fluid milk produced within a control area be not allowed to be sold outside of a control area as fluid milk.

We the undersigned members of the Commission do hereby, after careful study and deliberation upon the evidence gathered from the many witnesses which appeared before us, humbly submit the foregoing report, and the recommendations which will, (if put into practice) we believe do much to remove certain unsatisfactory practices which now exist.

We regret that we were unable to go as fully into the study as was necessary to make a complete report, and was therefore compelled to make use of information gathered by other sources as will be seen from the report.

We trust that this report, and its recommendations may prove of value to our Government of this Province of Alberta, and sincerely hope that it may be of a material benefit to those engaged in the fluid milk and table cream industry.

Signed: Rice Sheppard, Chairman.

Dave Lush, Secretary.

W. M. King.

W. E. Nasson

W. L. White.